

BYRON AREA SCHOOLS
BYRON, MICHIGAN
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 5, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Byron Area Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Area Schools, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Byron Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Area Schools as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2007 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II – VII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Byron Area Schools' basic financial statements. The additional information on pages 18 – 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Byron Area Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

District Wide Financial Statements: (Continued)

These two statements report the Byron Area Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2007 and 2006:

	<u>NET ASSETS SUMMARY</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets	\$3,998,408	\$3,813,069
Non-Current Assets	<u>1,763,560</u>	<u>1,861,291</u>
<u>TOTAL ASSETS</u>	<u>\$5,761,968</u>	<u>\$5,674,360</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,674,484	\$2,365,733
Long-Term Liabilities	<u>162,922</u>	<u>165,723</u>
Total Liabilities	\$2,837,406	\$2,531,456
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,724,306	1,822,037
Restricted - Capital Projects	80,594	126,830
Unrestricted	<u>1,119,662</u>	<u>1,194,037</u>
Total Net Assets	<u>\$2,924,562</u>	<u>\$3,142,904</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$5,761,968</u>	<u>\$5,674,360</u>

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2007 and 2006, the District wide results of operations were:

<u>REVENUES</u>	<u>2007</u>	<u>2006</u>
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$398,911	\$374,042
State of Michigan Unrestricted Foundation Aid	9,060,362	9,000,140
Other General Revenues	231,806	189,303
Total General Revenues	\$9,691,079	\$9,563,485
<u>Operating Grants:</u>		
Federal	267,357	235,507
State of Michigan	447,908	444,243
Total Operating Grants	\$715,265	\$679,750
<u>Charges for Services:</u>		
Food Service	256,251	249,539
Athletics	56,543	55,751
Other Charges for Services	323,144	286,281
Total Charges for Services	\$635,938	\$591,571
Total Revenues	\$11,042,282	\$10,834,806
<u>EXPENSES</u>		
Instruction & Instructional Support	6,683,023	6,528,850
Support Services	3,496,386	3,528,600
Community Services	114,894	125,902
Food Service	560,197	522,483
Athletics	273,322	262,585
Interest on Long-Term Debt	0	9,805
Depreciation	132,802	131,412
Total Expenses	\$11,260,624	\$11,109,637
<u>INCREASE IN NET ASSETS</u>	(\$218,342)	(\$274,831)
<u>BEGINNING NET ASSETS</u>	3,142,904	3,417,735
<u>ENDING NET ASSETS</u>	\$2,924,562	\$3,142,904

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2007, the District's Total Net Assets decreased by \$218,342 to a total of \$2,924,562. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$97,731 during the year due to depreciation and principal payments on related debt exceeding the purchase of new capital assets. The districts Unrestricted Net Assets decreased by \$46,236 during the year and the restricted portion of the net assets decreased by \$74,375. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

Analysis of Results of Operations

The District's overall expenses exceeded revenues for the year by \$218,342. The total revenues increased by \$207,476 or 2% over last years amounts. The major change was an increase in state aid and local sources. Expenditures increased by \$150,987. Major changes were due salary and fringe benefit increases.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$46,707 during the year with the decrease coming primarily in cash. Revenues for the year increased by \$212,772 primarily from increases in state aid, and local sources. Expenditures and other financing uses increased by \$216,249, primarily from increased wages and benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)
The State of Michigan aid, unrestricted, is determined with the following variables:
 - a. State of Michigan State Aid Act per student foundation allowance
 - b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
 - c. The District's non-homestead tax levy.
2. Per Student, Foundation Allowance:
Annually, the State of Michigan establishes the per student foundation allowance. The Byron Area Schools foundation allowance was \$7,085 per student for the 2006-2007 school year.
3. Student Enrollment:
The District's student enrollment for the fall count of 2006-2007 was 1,337 students. A decrease of 42 students from the prior year.

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue for the 2006-2007 fiscal year was \$401,657. An increase of \$29,095 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual & Original Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$10,585,186	\$10,428,730	\$10,477,280	1.02	0.47
Expenditures	10,703,096	10,514,012	10,523,987	1.67	0.09
<u>TOTAL</u>	<u>(\$117,910)</u>	<u>(\$85,282)</u>	<u>(\$46,707)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Byron Area Schools amends its budget during the school year. The June, 2007 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	<u>Principal Balance 7-1-06</u>	<u>Increases 6-30-07</u>	<u>Principal Payments & Deductions 6-30-07</u>	<u>Principal Balance 6-30-07</u>
Durant Bonds	\$39,254	\$0	\$0	\$39,254
Sick Days Payable	131,324	0	7,656	123,668
<u>Total Long-Term Debt</u>	<u>\$170,578</u>	<u>\$0</u>	<u>\$7,656</u>	<u>\$162,922</u>

BYRON AREA SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION: (Continued)

B. Capital Assets

The district's net investment in capital assets decreased by \$97,731 during the fiscal year. This can be summarized as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Capital Assets	\$6,179,213	\$183,943	\$0	\$6,363,156
Less: Accumulated Depreciation	(4,317,922)	(281,674)	0	(4,599,596)
<u>Net Investment Capital Outlay</u>	<u>\$1,861,291</u>	<u>(\$97,731)</u>	<u>\$0</u>	<u>\$1,763,560</u>

Significant additions were the purchase of five portable classrooms and playground equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

State Aid

The foundation amount for the 2007-2008 school year may decrease by \$50 to \$7,058 per student. The district's September 2007 enrollment is expected to remain the same or decline slightly from 2006-2007. The decrease in state revenues of approximately \$411,000 along with an increase in federal funding will decrease the revenues by approximately \$362,000.

Retirement Rates

General Fund expenses are expected to decrease by \$491,945. The majority of this decrease is in wages (retirements and layoffs), change in insurance benefits and retirement expenses. The Michigan Public School Employees retirement rate will decrease to 16.72% of all wages next year. The rate for 2006-2007 was 17.74%. The retirement rate is estimated to decrease retirement expenses by \$62,000.

The Byron Area Schools 2007/2008 adopted budget is as follows:

<u>REVENUE</u>	\$10,066,370
<u>EXPENDITURES</u>	<u>10,220,067</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$153,697)</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Byron Area Schools.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$347,731
Investments	1,934,239
Due from Other Governmental Units	1,639,456
Inventory	22,151
Prepaid Expenses	54,831
Total Current Assets	<u>\$3,998,408</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	6,363,156
Less: Accumulated Depreciation	<u>(4,599,596)</u>
Total Noncurrent Assets	<u>\$1,763,560</u>
<u>TOTAL ASSETS</u>	<u>\$5,761,968</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$240,345
State Aid Anticipation Note Payable	1,563,000
Accrued Expenses	39,417
Salaries Payable	829,108
Deferred Revenue	2,614
Current Portion of Long-Term Obligations	0
Total Current Liabilities	<u>\$2,674,484</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>162,922</u>
<u>TOTAL LIABILITIES</u>	<u>\$2,837,406</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,724,306
Restricted for:	
Capital Projects	80,594
Unrestricted	<u>1,119,662</u>
Total Net Assets	<u>\$2,924,562</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$5,761,968</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue & Change in Net Assets
		Charges For Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$6,683,023	\$0	\$454,386	(\$6,228,637)
Support Services	3,496,386	189,238	75,499	(3,231,649)
Community Services	114,894	133,906	0	19,012
Food Service	560,197	256,251	185,380	(118,566)
Athletics	273,322	56,543	0	(216,779)
Interest - Long-Term Obligations	0	0	0	0
Depreciation - Unallocated	132,802	0	0	(132,802)
<u>TOTALS</u>	<u>\$11,260,624</u>	<u>\$635,938</u>	<u>\$715,265</u>	<u>(\$9,909,421)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				398,911
State Aid				9,060,362
Investment Earnings				84,923
Miscellaneous				146,883
Total General Revenues and Transfers				<u>\$9,691,079</u>
Change in Net Assets				<u>(\$218,342)</u>
Net Assets - Beginning				<u>3,142,904</u>
<u>Net Assets - Ending</u>				<u>\$2,924,562</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$216,726	\$131,005	\$347,731
Investments	1,934,239	0	1,934,239
Due from Other Funds	4,605	0	4,605
Due from Other Governmental Units	1,636,118	3,338	1,639,456
Inventory	0	22,151	22,151
Prepaid Expenses	54,831	0	54,831
<u>TOTAL ASSETS</u>	<u>\$3,846,519</u>	<u>\$156,494</u>	<u>\$4,003,013</u>
<u>LIABILITIES</u>			
Accounts Payable	\$239,446	\$899	\$240,345
State Aid Anticipation Note Payable	1,563,000	0	1,563,000
Due to Other Funds	0	4,605	4,605
Accrued Expenses	37,302	2,115	39,417
Salaries Payable	829,108	0	829,108
Deferred Revenue	2,614	0	2,614
Total Liabilities	\$2,671,470	\$7,619	\$2,679,089
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	22,151	22,151
Capital Projects	0	80,594	80,594
Unreserved:			
Undesignated, Reported In:			
General Fund	1,175,049	0	1,175,049
School Service Funds	0	46,130	46,130
Total Fund Balances	\$1,175,049	\$148,875	\$1,323,924
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$3,846,519</u>	<u>\$156,494</u>	<u>\$4,003,013</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2007

Total Governmental Fund Balances:	\$1,323,924
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$6,363,156 and the accumulated depreciation is \$4,599,596	1,763,560
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported a
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$39,254	
Sick Days Payable	123,668	
Total Long-Term Liabilities	<u> </u>	<u>(162,922)</u>

<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u><u>\$2,924,562</u></u>
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BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$764,919	\$379,622	\$1,144,541
State Sources	9,467,474	40,796	9,508,270
Federal Sources	122,773	144,584	267,357
Total Revenues	<u>\$10,355,166</u>	<u>\$565,002</u>	<u>\$10,920,168</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	6,656,749	0	6,656,749
Student Services	260,792	0	260,792
Instructional Support	292,946	0	292,946
General Administration	339,529	0	339,529
School Administration	689,870	0	689,870
Business Administration	263,820	0	263,820
Operation & Maintenance of Plant	1,068,269	0	1,068,269
Transportation	545,697	0	545,697
Other Support Services	62,038	0	62,038
Community Services	114,894	0	114,894
Food Service	0	825,178	825,178
Capital Outlay	0	50,767	50,767
Total Expenditures	<u>\$10,294,604</u>	<u>\$875,945</u>	<u>\$11,170,549</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$60,562	(\$310,943)	(\$250,381)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(229,383)	229,383	0
Other Transfers	122,114	0	122,114
Total Other Financing Sources (Uses)	<u>(\$107,269)</u>	<u>\$229,383</u>	<u>\$122,114</u>
Net Change in Fund Balance	(\$46,707)	(\$81,560)	(\$128,267)
<u>FUND BALANCE - BEGINNING</u>	<u>1,221,756</u>	<u>230,435</u>	<u>1,452,191</u>
<u>FUND BALANCE - ENDING</u>	<u><u>\$1,175,049</u></u>	<u><u>\$148,875</u></u>	<u><u>\$1,323,924</u></u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Total net change in fund balances - governmental funds	(\$128,267)
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Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(97,731)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	0
--	---

(Increase) in accrued compensated absences	<u>7,656</u>
--	--------------

<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>(\$218,342)</u></u>
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BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$175,786</u>
<u>TOTAL ASSETS</u>	<u>\$175,786</u>
 <u>LIABILITIES</u>	
Due to Student Groups	<u>\$175,786</u>
<u>TOTAL LIABILITIES</u>	<u>\$175,786</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$668,765	\$713,685	\$764,919	\$51,234
State Sources	9,724,695	9,468,904	9,467,474	(1,430)
Federal Sources	100,726	125,741	122,773	(2,968)
Total Revenues	\$10,494,186	\$10,308,330	\$10,355,166	\$46,836
<u>EXPENDITURES</u>				
Current:				
Instruction	6,766,615	6,604,550	6,656,749	(52,199)
Pupil Services	278,130	260,910	260,792	118
Instructional Support	294,304	297,595	292,946	4,649
General Administration	346,425	345,885	339,529	6,356
School Administration	673,205	691,215	689,870	1,345
Fiscal Services & Other Business Services	281,425	263,920	263,820	100
Operation & Maintenance of Plant	1,134,562	1,085,572	1,068,269	17,303
Transportation	530,345	555,925	545,697	10,228
Other Support Services	62,000	62,205	62,038	167
Community Services	111,385	115,855	114,894	961
Total Expenditures	\$10,478,396	\$10,283,632	\$10,294,604	(\$10,972)
Excess of Revenues Over Expenditures	\$15,790	\$24,698	\$60,562	\$35,864
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	(133,700)	(109,980)	(107,269)	2,711
	(\$117,910)	(\$85,282)	(\$46,707)	\$38,575
<u>FUND BALANCE - BEGINNING</u>			1,221,756	
<u>FUND BALANCE - ENDING</u>			\$1,175,049	

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Byron Area Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District's overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2007, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2007, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment Pool - MICMS	\$1,989	0.0027	AAAm	0.10%
MILAF External Investment Pool - MIMAX	1,932,250	0.0027	AAAm	99.90%
Total fair value	<u>\$ 1,934,239</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in mutual funds and pooled investment accounts which represents 100% of the District's total investments.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$574,550 of the District's bank balance of \$674,829 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$175,786	\$ 523,517
Investments	<u>1,934,239</u>
<u>TOTAL</u>	<u>\$ 2,457,756</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 175,786
Cash – District Wide	347,731
Investments – District Wide	<u>1,934,239</u>
<u>TOTAL</u>	<u>\$ 2,457,756</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,592,428
Federal Grants	45,115
Other Grants	<u>1,913</u>
<u>TOTAL</u>	<u>\$ 1,639,456</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2007, the District had \$2,744 of estimated claims payable in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,563,000 at 3.68% interest per annum on August 18, 2006, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2007.

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
State Aid Note Payable	<u>\$1,360,000</u>	<u>\$1,563,000</u>	<u>\$1,360,000</u>	<u>\$1,563,000</u>

9) OPERATING LEASES

The District entered into a operating lease with Xerox for copiers on May 31, 2005. The lease payment is \$4,186 per month for a period of sixty months.

Future minimum payments for the operating leases is as follows:

June 30, 2008	\$ 50,233
June 30, 2009	50,233
June 30, 2010	<u>50,233</u>
<u>TOTALS</u>	<u>\$ 150,699</u>

10) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$2,527,542	\$90,215	\$0	\$2,617,757
Land & Land Improvements	1,957,855	80,614	0	2,038,469
Equipment and Furniture	529,053	5,285	0	534,338
Vehicles	1,164,763	7,829	0	1,172,592
Totals at Historical Cost	<u>\$6,179,213</u>	<u>\$183,943</u>	<u>\$0</u>	<u>\$6,363,156</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(1,706,114)	(57,309)	0	(1,763,423)
Land Improvements	(1,444,325)	(83,869)	0	(1,528,194)
Equipment and Furniture	(410,431)	(42,652)	0	(453,083)
Vehicles	(757,052)	(97,844)	0	(854,896)
Total Accumulated Depreciation	<u>(\$4,317,922)</u>	<u>(\$281,674)</u>	<u>\$0</u>	<u>(\$4,599,596)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,861,291</u>	<u>(\$97,731)</u>	<u>\$0</u>	<u>\$1,763,560</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

10) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 26,274
Support Services	108,972
Food Service	1,230
Athletics	12,396
Unallocated	<u>132,802</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 281,674</u>

11) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2007 were \$78,168 and the School District received a dividend refund of \$13,558.

12) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Byron Area Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$126,705 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2007 was \$39,254.

B) Annual Principal Requirements

The annual principal requirements for all debt outstanding as of June 30, 2007 are as follows:

	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2008	\$0	\$0	\$0
June 30, 2009	5,330	1,396	6,726
June 30, 2010	5,584	1,142	6,726
June 30, 2011	5,850	876	6,726
June 30, 2012	16,071	4,104	20,175
June 30, 2013	<u>6,419</u>	<u>306</u>	<u>6,725</u>
 <u>TOTAL</u>	 <u>\$39,254</u>	 <u>\$7,824</u>	 <u>\$47,078</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$0.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

12) GENERAL LONG-TERM DEBT (Continued)

C) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	<u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>JUNE 30, 2007</u>	<u>IN ONE YEAR</u>
Durant Bonds	\$39,254	\$0	\$0	\$39,254	\$0
Sick Days Payable	131,324	0	7,656	123,668	0
<u>Total Governmental Activities</u>	<u>\$170,578</u>	<u>\$0</u>	<u>\$7,656</u>	<u>\$162,922</u>	<u>\$0</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2007 consisted of the following:

DUE FROM	
DUE TO	GENERAL FUND
Special Revenue Fund	<u>\$4,605</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007, consisted of the following:

TRANSFERS FROM	
TRANSFERS TO	General Fund
Athletics	\$204,383
Food Service	<u>25,000</u>
<u>TOTAL</u>	<u>\$229,383</u>

These transfers were made to subsidized the cost of services for athletics and food service.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

BYRON AREA SCHOOLS - BYRON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

15) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34 percent for the period July 1, 2006 through September 30, 2006 and 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2007, 2006 and 2005 were \$1,069,654, \$968,023 and \$823,561, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

16) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies. The audits of these programs for and including the year ended June 30, 2007, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the district expects such amounts, if any, to be immaterial.

17) SUBSEQUENT EVENTS

The District has approved borrowing \$1,600,000 from Chase Bank on a State Aid Anticipation Note to meet cash flow needs for the 2007-2008 fiscal year. The Note will be issued August 20, 2007.

OTHER SUPPLEMENTAL
INFORMATION

BYRON AREA SCHOOLS - BYRON, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	School Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$50,411	\$80,594	\$131,005
Due From Other Governmental Units	3,338	0	3,338
Inventory	22,151	0	22,151
<u>TOTAL ASSETS</u>	<u>\$75,900</u>	<u>\$80,594</u>	<u>\$156,494</u>
<u>LIABILITIES</u>			
Accounts Payable	\$899	\$0	\$899
Due to Other Funds	4,605	0	4,605
Accrued Expenses	2,115	0	2,115
Total Liabilities	\$7,619	\$0	\$7,619
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	22,151	0	22,151
Capital Projects	0	80,594	80,594
Unreserved:			
Undesignated, Reported In:			
School Service Fund	46,130	0	46,130
Total Fund Balances	\$68,281	\$80,594	\$148,875
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$75,900</u>	<u>\$80,594</u>	<u>\$156,494</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	School Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$375,091	\$4,531	\$379,622
State Sources	40,796	0	40,796
Federal Sources	144,584	0	144,584
Total Revenues	<u>\$560,471</u>	<u>\$4,531</u>	<u>\$565,002</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>229,383</u>	<u>0</u>	<u>229,383</u>
Total Revenues & Other Financing Sources	<u>\$789,854</u>	<u>\$4,531</u>	<u>\$794,385</u>
<u>EXPENDITURES</u>			
Food Service	825,178	0	825,178
Capital Outlay	0	50,767	50,767
Total Expenditures	<u>\$825,178</u>	<u>\$50,767</u>	<u>\$875,945</u>
Net Change in Fund Balance	<u>(\$35,324)</u>	<u>(\$46,236)</u>	<u>(\$81,560)</u>
<u>NET ASSETS - BEGINNING</u>	<u>103,605</u>	<u>126,830</u>	<u>230,435</u>
<u>NET ASSETS - ENDING</u>	<u>\$68,281</u>	<u>\$80,594</u>	<u>\$148,875</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007

	Food Services	Athletic Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$47,397	\$3,014	\$50,411
Due From Other Governmental Units	3,338	0	3,338
Inventory	22,151	0	22,151
<u>TOTAL ASSETS</u>	<u>\$72,886</u>	<u>\$3,014</u>	<u>\$75,900</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$899	\$899
Due to Other Funds	4,605	0	4,605
Accrued Expenses	0	2,115	2,115
Total Liabilities	\$4,605	\$3,014	\$7,619
<u>FUND EQUITY</u>			
Reserved for Inventory	22,151	0	22,151
Unreserved and Undesignated	46,130	0	46,130
Total Fund Equity	\$68,281	\$0	\$68,281
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$72,886</u>	<u>\$3,014</u>	<u>\$75,900</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHOOL SERVICE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Food Services</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$256,251	\$0	\$256,251
Athletic Activities	0	56,543	56,543
Other Local Sources	62,297	0	62,297
Total Local Sources	<u>\$318,548</u>	<u>\$56,543</u>	<u>\$375,091</u>
<u>State Sources</u>			
State Reimbursements	40,796	0	40,796
<u>Federal Sources</u>			
Federal Reimbursements	124,214	0	124,214
Commodities	20,370	0	20,370
Total Federal Sources	<u>\$144,584</u>	<u>\$0</u>	<u>\$144,584</u>
Total Revenues	<u>\$503,928</u>	<u>\$56,543</u>	<u>\$560,471</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	25,000	204,383	229,383
Total Revenues and Other Financing Sources	<u>\$528,928</u>	<u>\$260,926</u>	<u>\$789,854</u>
<u>EXPENDITURES</u>			
Salaries - Non-Professional	164,821	147,961	312,782
Insurances	23,765	0	23,765
Fica, Retirement, Etc.	45,837	38,436	84,273
Purchased Services	6,525	27,393	33,918
Supplies and Materials	312,908	21,496	334,404
Capital Outlay	7,360	6,599	13,959
Other	3,036	19,041	22,077
Total Expenditures	<u>\$564,252</u>	<u>\$260,926</u>	<u>\$825,178</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES</u>	<u>(\$35,324)</u>	<u>\$0</u>	<u>(\$35,324)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>103,605</u>	<u>0</u>	<u>\$103,605</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$68,281</u>	<u>\$0</u>	<u>\$68,281</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES FROM
Local Sources

Property Tax Levy	\$398,911
Earnings on Investments and Deposits	80,392
Tuition	8,374
Childcare Fees	133,906
Kids Kamp Fees	16,325
Preschool School Fees	41,909
Other Local Revenues	85,102
Total Revenues from Local Sources	<u>\$764,919</u>

State Sources

State Aid	9,060,362
Durant	9,578
At Risk	92,498
Special Education	166,516
Vocational Education	52,799
Other State Grants	65,921
Michigan School Readiness	19,800
Total Revenues from State Sources	<u>\$9,467,474</u>

Federal Sources

Title I Regular	73,533
Class Size Reduction	40,191
Title V	284
Technology Literacy	769
Medicaid	2,330
Safe and Drug Free Schools	4,644
Homeland Security	1,022
Total Revenues from Federal Sources	<u>\$122,773</u>
Total Revenues	<u>\$10,355,166</u>

OTHER FINANCING SOURCES

Transfers from Other Districts	<u>122,114</u>
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TOTAL REVENUES AND OTHER FINANCING SOURCES
\$10,477,280

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTIONBasic ProgramsElementary

Salaries - Professional	\$1,539,033
Salaries - Non-Professional	43,681
Insurances	407,580
Fica, Retirement, Etc.	399,770
Purchased Services	2,450
Supplies and Materials	35,506
Capital Outlay	66,703
Other	624
Total Elementary	<u>\$2,495,347</u>

Middle School

Salaries - Professional	805,942
Salaries - Non-Professional	25,968
Insurances	172,769
Fica, Retirement, Etc.	209,170
Purchased Services	109
Supplies and Materials	36,852
Capital Outlay	1,541
Other	590
Total Middle School	<u>\$1,252,941</u>

High School

Salaries - Professional	840,688
Salaries - Non-Professional	74,310
Insurances	251,866
Fica, Retirement, Etc.	228,433
Purchased Services	31,827
Supplies and Materials	54,406
Capital Outlay	1,675
Other	1,056
Total High School	<u>\$1,484,261</u>

Pre-School

Salaries - Professional	56,633
Salaries - Non-Professional	18,620
Insurance	8,199
Fica, Retirement, Etc.	18,931
Purchased Services	56
Supplies and Materials	4,565
Total Pre-School	<u>\$107,004</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

INSTRUCTION (Continued)

Basic Programs (Continued)

Drivers Education

Salaries - Non-Professional	\$25,224
Fica, Retirement, Etc.	6,182
Supplies and Materials	3,513
Total Preschool	<u>\$34,919</u>

Total Basic Programs \$5,374,472

ADDED NEEDS

SPECIAL EDUCATION

Salaries - Professional	357,714
Salaries - Non-Professional	7,880
Insurances	111,598
Fica, Retirement, Etc.	92,253
Supplies and Materials	12,556
Total Special Education	<u>\$582,001</u>

COMPENSATORY EDUCATION

Salaries - Professional	45,931
Salaries - Non-Professional	63,169
Insurances	16,657
Fica, Retirement, Etc.	26,144
Supplies and Materials	991
Total Compensatory Education	<u>\$152,892</u>

VOCATIONAL EDUCATION

Salaries - Professional	305,674
Salaries - Non-Professional	26,688
Insurances	87,645
Fica, Retirement, Etc.	83,715
Purchased Services	4,749
Supplies and Materials	10,070
Capital Outlay	23,722
Other	5,121
Total Vocational Education	<u>\$547,384</u>

Total Added Needs 1,282,277

Total Instruction \$6,656,749

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	\$94,965
Salaries - Non-Professional	50,826
Insurances	15,913
Fica, Retirement, Etc.	36,812
Supplies and Materials	18,774
Other	43,502
Total Student Services	<u>\$260,792</u>

INSTRUCTIONAL STAFF

Salaries - Professional	179,250
Insurances	14,255
Fica, Retirement, Etc.	44,104
Purchased Services	8,658
Supplies and Materials	10,406
Capital Outlay	1,125
Other	35,148
Total Instructional Staff	<u>\$292,946</u>

GENERAL ADMINISTRATION

Salaries - Professional	114,867
Salaries - Non-Professional	63,505
Insurances	33,579
Fica, Retirement, Etc.	43,077
Purchased Services	57,146
Supplies and Materials	21,838
Capital Outlay	859
Other	4,658
Total General Administration	<u>\$339,529</u>

SCHOOL ADMINISTRATION

Salaries - Professional	259,313
Salaries - Non-Professional	155,437
Insurances	96,362
Fica, Retirement, Etc.	103,679
Purchased Services	47,877
Supplies and Materials	24,616
Capital Outlay	2,586
Total School Administration	<u>\$689,870</u>

BUSINESS OFFICE

Salaries - Professional	114,408
Salaries - Non-Professional	4,647
Insurances	22,235
Fica, Retirement, Etc.	29,238
Purchased Services	9,301
Supplies and Materials	6,957
Other	77,034
Total Business Office	<u>\$263,820</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2007

SUPPORT SERVICES (Continued)

OPERATION & MAINTENANCE OF PLANT

Salaries - Professional	\$48,385
Salaries - Non-Professional	308,153
Insurances	83,661
Fica, Retirement, Etc.	93,548
Purchased Services	129,873
Supplies and Materials	395,072
Capital Outlay	9,577
Total Operation and Maintenance of Plant	<u>\$1,068,269</u>

TRANSPORTATION

Salaries - Professional	45,375
Salaries - Non-Professional	234,187
Insurances	20,063
Fica, Retirement, Etc.	82,445
Purchased Services	21,475
Supplies and Materials	140,174
Other	1,978
Total Transportation	<u>\$545,697</u>

OTHER SUPPORT SERVICES

Purchased Services	10,205
Other	51,833
Total Other Support Services	<u>\$62,038</u>

Total Support Services	\$3,522,961
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COMMUNITY SERVICES

Salaries - Non-Professional	53,272
Fica, Retirement, Etc.	13,308
Purchased Services	501
Supplies and Materials	10,511
Other	37,302
Total Community Services	<u>\$114,894</u>

Total Expenditures	\$10,294,604
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OTHER FINANCING USES

Transfers to Other Funds	<u>229,383</u>
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TOTAL EXPENDITURES AND OTHER
FINANCING USES

\$10,523,987

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due To (From) Student Groups July 1, 2006	Receipts	Disbursements	Due To (From) Student Groups June 30, 2007
After School Activities - Elem	\$1,364	\$93	\$99	\$1,358
Band - HS	1,091	1,138	2,199	30
Baseball - HS	640	1,302	1,684	258
Baseball - MS	180	960	1,132	8
Basketball - Boys - HS	0	540	0	540
Basketball - Girls - HS	1,144	5,390	2,684	3,850
Basketball - Girls - MS	406	1,340	1,453	293
BPA - HS	101	9,950	10,051	0
Book Account - HS	74	0	0	74
Building/Trades - HS	700	0	0	700
Bus Drivers - HS	748	1,146	1,724	170
Byron Elem. - Coca Cola	422	1,244	1,040	626
Cheerleaders - HS	3,811	9,046	12,219	638
Chess Club - HS	509	780	461	828
Choir Club - MS	0	105	0	105
Class of 2005	702	0	673	29
Class of 2007	1,076	8,304	9,380	0
Class of 2008	137	20,682	18,895	1,924
Class of 2009	63	40	0	103
Class of 2010	0	300	169	131
Community Ed - MS	569	3,446	1,463	2,552
Desk Top Publishing - HS	444	0	0	444
Drama - High School	1,100	2,699	2,503	1,296
Drivers Education - HS	54,854	17,935	484	72,305
Eight Grade Trip - Concessions - MS	994	5,258	6,013	239
Eight Grade Trip - MS	2,810	5,072	4,594	3,288
Elementary Account	37,496	29,661	53,123	14,034
Elementary Fifth Grade Trip	1,668	38,603	37,715	2,556
Elementary Kindergarten Activity	110	0	0	110
Elementary Playground Fund	14,689	32,804	33,378	14,115
Employees Fund - HS	2,484	2,030	2,844	1,670
Environmental Club - HS	192	863	911	144
Equestrian Club - HS	0	505	480	25
FCCLA - HS	777	1,522	2,022	277
FFA Account - HS	3,539	60,878	64,297	120
FFA Greenhouse - HS	0	630	630	0
Football Account - HS	4,775	12,913	15,069	2,619
French Club - HS	2,760	15,691	16,991	1,460
Girls Softball - Varsity - HS	444	490	596	338
Golf - HS	2,215	426	2,064	577
Homecoming Fund - HS	1,574	1,195	1,997	772
Honor Society - HS	2,694	5,108	5,753	2,049
Industrial Arts - HS	1,189	899	1,718	370
Library - Administration	2,647	0	393	2,254

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

STUDENT ACTIVITY	Due To (From)			Due To (From)
	Student Groups July 1, 2006	Receipts	Disbursements	Student Groups June 30, 2007
Library - Elementary	\$13	\$657	\$22	\$648
Library - High School	1,417	35	0	1,452
Middle School Activity	685	0	0	685
Miscellaneous - Admin.	6,472	8,385	1,552	13,305
Miscellaneous - Elem.	360	457	365	452
Miscellaneous - HS	551	3,539	3,054	1,036
Newspaper - Middle School	317	0	0	317
Parking Permits - HS	260	15	0	275
Photo Fund - HS	3,964	0	0	3,964
Professional Development	5	0	0	5
Robotics Club - MS	0	120	0	120
SADD - HS	58	0	0	58
Soccer - HS	992	1,506	1,267	1,231
Softball - MS	12	1,426	1,128	310
Special Ed - HS	321	0	0	321
Student Council - Elem.	956	0	70	886
Student Council - HS	1,283	1,627	1,232	1,678
Student Council - MS	2,578	12,367	13,324	1,621
Student Repair - HS	0	150	0	150
Testing - HS	100	264	272	92
Track - HS	4,117	8,542	9,920	2,739
Volleyball - HS	2,452	5,481	6,828	1,105
Wrestling Account - HS	3,033	6,746	6,363	3,416
Yearbook - Elementary	2,555	2,432	2,211	2,776
Yearbook - HS	1,756	16,190	17,740	206
Yearbook - MS	945	3,850	3,136	1,659
<u>TOTALS</u>	<u>\$188,394</u>	<u>\$374,777</u>	<u>\$387,385</u>	<u>\$175,786</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2007

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$95,776

1998 DURANT RESOLUTION PACKAGE BONDS

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2008	\$0	4.761353%	\$0	\$0
2009	5,330	4.761353%	1,396	6,726
2010	5,584	4.761353%	1,142	6,726
2011	5,850	4.761353%	876	6,726
2012	16,071	4.761353%	4,104	20,175
2013	6,419	4.761353%	306	6,725
<u>TOTAL</u>	<u>\$39,254</u>		<u>\$7,824</u>	<u>\$47,078</u>



September 5, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Byron Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Area Schools, as of and for the year ended June 30September 5, 2007, which collectively comprise the Byron Area Schools' basic financial statements and have issued our report thereon dated September 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Byron Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Byron Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Byron Area Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Byron Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Byron Area Schools' financial statements that is more than inconsequential will not be prevented or detected by the Byron Area Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Byron Area Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Byron Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Byron Area Schools
Page 2
September 5, 2007

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS